

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2014-4-G – ORDER NO. 2014-____
July ____, 2014

IN RE:)	PROPOSED ORDER
)	RULING ON
Annual Review of Purchased Gas Adjustment)	PURCHASED GAS
and Gas Purchasing Policies of Piedmont)	ADJUSTMENT AND
Natural Gas Company, Incorporated)	GAS PURCHASING
)	POLICIES

The above-captioned matter is before the Public Service Commission of South Carolina (“Commission”) concerning its annual review¹ of the Purchased Gas Adjustment (“PGA”) and gas purchasing policies of Piedmont Natural Gas Company, Inc. (“PNG”). The South Carolina Office of Regulatory Staff (“ORS”) is a party of record in this proceeding under the provisions of S.C. Code Ann. § 58-4-10(B) (Supp. 2013). PNG and ORS (collectively the “Parties” or individually a “Party”) entered into a settlement agreement (“Settlement Agreement”) which was filed with the Commission on July 1, 2014.

The Commission conducted a formal hearing in this matter on July 10, 2014, beginning at 10:00 a.m. in the hearing room of the Commission with the Honorable Nikiya Hall, Chairperson, presiding. C. Lessie Hammonds, Esquire and Jeffrey M. Nelson, Esquire appeared on behalf of ORS. James H. Jeffries IV, Esquire, Brian Heslin, Esquire and Jeremy C. Hodges, Esquire appeared on behalf of PNG.

¹ See Commission Order No. 88-294 dated April 6, 1988 (annual review).

At the hearing, and upon the motion of the Parties, the Commission accepted into the record the pre-filed direct testimony of PNG witness Sarah E. Stabley and the pre-filed direct testimonies and exhibits of PNG witnesses Keith P. Maust and Robert L. Thornton as well as the supplemental and rebuttal testimony and the settlement testimony of Mr. Thornton. The pre-filed direct testimony and exhibits of ORS witness Matthew P. Schellinger II and the pre-filed direct testimony of ORS witness Thomas H. Allen were also accepted into the record.

The Commission accepted into evidence the Settlement Agreement as Hearing Exhibit No. 1. Mr. Schellinger's exhibits (MPS 1-3) were admitted into evidence as Hearing Exhibit No. 2. Mr. Thornton's exhibits (RLT 1-2) were admitted into evidence as Hearing Exhibit No. 3 and Mr. Maust's exhibits (KPM 1A-9) as Hearing Exhibit No. 4.

At the hearing, PNG witness Stabley testified as to PNG's gas purchasing policies and the components of the "best cost" gas purchasing policy. Ms. Stabley stated that PNG did not implement any changes in its "best cost" gas purchasing policies or practices during April 1, 2013 through March 31, 2014 (the "Review Period"). Ms. Stabley also testified that PNG has taken numerous measures to manage its gas costs consistent with its "best cost policy" including active participation at FERC, restructuring of supply and capacity contracts to adjust to market conditions, and the promotion of more efficient use of its system and of its capacity and commodity rights. Ms. Stabley added that the "best cost" purchasing policy utilized by PNG has been reviewed and found prudent on all occasions in South Carolina and the other state jurisdictions in which PNG operates.

PNG witness Maust testified that PNG serves approximately 138,500 customers in South Carolina and that during the Review Period, PNG delivered approximately 26,543,000 dekatherms of natural gas to its South Carolina customers. Mr. Maust also explained the

calculation of PNG customer growth and Design Day needs and the process utilized by PNG to acquire new capacity. During the Review Period, PNG made a change to its Design Day methodology based on a 2.4 degrees lower Design Day temperature of 8.6 degrees Fahrenheit to be effective for the upcoming 2014/2015 winter period as a result of a careful analysis of historic low temperatures in the region along with a consideration of the very low temperatures during the Polar Vortex events of January 2014. Mr. Maust also testified that PNG's hedging plan continued to act as an insurance policy during the Review Period to reduce gas cost volatility to South Carolina customers purchasing gas from PNG. PNG's South Carolina customers incurred a net economic benefit of \$776,800 as a result of PNG's hedging plan during the Review Period.

PNG witness Thornton testified to the end-of-period balances and the accounting for PNG's deferred gas cost account (Account #253.04). That accounting is set out in Hearing Exhibit No. 3. Mr. Thornton also stated that ORS audited PNG's gas cost accounting as part of this proceeding. Mr. Thornton also testified that ORS audited PNG's Hedging Deferred Account, which records the results of its hedging activities undertaken in accordance with its hedging plan.

Mr. Thornton testified in the supplemental and rebuttal testimony that a curtailment billing matter is under discussion between PNG and the ORS. The matter involved the issue of whether it was appropriate to bill two Emergency Service customers a commodity charge where the customers supplied their own gas for service. PNG did not bill the two Emergency Service customers for the commodity component of Rate Schedule 206. However, PNG did charge the two customers with all other applicable components of its Rate Schedule 206 charges applicable to Emergency Services. PNG acknowledged that was in error. PNG and the ORS expect the resolution of the discussions to result in a prior period adjustment in next year's prudence

review. In order to obtain Commission review and authorization for this matter, PNG intends to file a petition seeking (1) authorization for changes to its Rate Schedule 206, and (2) a waiver of one aspect of its existing Rate Schedule 206 billing requirements with respect to emergency service provided during January 2014.

In his settlement testimony, PNG witness Thornton testified that, following extensive review, examination and discussions between PNG and the ORS, both parties agreed to each of the matters stipulated in the Settlement Agreement. The Settlement Agreement is offered by all parties as a fair, reasonable and full resolution of all issues in this proceeding as signified by all parties being signatories to the Settlement Agreement.

ORS witness Schellinger testified that ORS had performed an examination of PNG's deferred account #253.04 for the Review Period and based upon that examination it is the opinion of ORS that account #253.04 is accurately stated and that the balance of \$9,670,461 fairly represents PNG's over-collection balance as of March 31, 2014, with the exception of any adjustment(s) related to the curtailment billing matter discussed in witness Thornton's supplemental and rebuttal testimony. Mr. Schellinger also testified that ORS verified the calculation of ending inventory balances to the daily storage activity worksheets for each facility and obtained verification from the PNG storage facility operators of the volumes stored in each of the facilities.

ORS witness Allen testified that PNG had adequate firm supplies to meet its firm customer requirements; is continuing its attempts to get the best terms available in its negotiations with suppliers; has used the spot market to purchase supplies for periods of one month or less; and managed its hedging activities in a manner consistent with the terms of its

approved hedging program during the Review Period. Mr. Allen also testified that ORS had no recommended changes to PNG's hedging program at this time.

The Settlement Agreement reflected that: (i) PNG's gas purchasing policies and practices during the Review Period were reasonable and prudent; (ii) PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period; with the exception of certain curtailment billing as discussed in the supplemental and rebuttal testimony of PNG witness Thornton; (iii) PNG managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders; (iv) the end-of-period balances for PNG's hedging accounts are those reflected in the testimony of Company witness Thornton; and (v) the end-of-period balances for PNG's deferred gas costs accounts are those reflected in the pre-filed direct testimony of PNG witness Thornton with the exception of any adjustment(s) related to the curtailment billing matter discussed in witness Thornton's supplemental and rebuttal testimony.

NOW, THEREFORE, based upon the foregoing, IT IS HEREBY DECLARED AND ORDERED THAT:

1. The pre-filed direct testimony of PNG witness Sarah E. Stabley and the pre-filed direct testimony and exhibits of PNG witness Keith P. Maust and the pre-filed direct testimony and exhibits, supplemental and rebuttal testimony and the settlement testimony of PNG witness Robert L. Thornton are accepted into the record without objection.

2. The pre-filed direct testimony and exhibits of ORS witnesses Matthew P. Schellinger II and the pre-filed direct testimony of Thomas H. Allen are accepted into the record without objection.

3. The Settlement Agreement is accepted into the record and incorporated into and made part of this Order by reference and, based upon the testimony and exhibits presented at the hearing of this matter, are found to be in the public interest and constitute a reasonable resolution of the issues in this proceeding.

4. PNG's gas purchasing policies and practices during the Review Period were reasonable and prudent.

5. PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period, with the exception of certain curtailment billing as discussed in the supplemental and rebuttal testimony of PNG witness Thornton and addressed in the Settlement Agreement.

6. PNG managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders.

7. The end-of-period balances for PNG's hedging accounts are those reflected in the testimony of Company witness Thornton.

8. The end-of-period balances for PNG's deferred gas cost accounts are those reflected in the testimony of witness Thornton, with the exception of any adjustment(s) related to the curtailment billing matter discussed in witness Thornton's supplemental and rebuttal testimony and addressed in the Settlement Agreement.

9. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Nikiya Hall, Chairman

ATTEST:

Swain E. Whitfield, Vice-Chairman

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2014-4-G

IN RE: Annual Review of Purchased Gas Adjustment) **CERTIFICATE OF**
and Gas Purchasing Policies of Piedmont) **SERVICE**
Natural Gas Company, Incorporated)

This is to certify that I, Karen D. Elliott, have this date served one (1) copy of the **PROPOSED ORDER** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

Brian S. Heslin, Esquire
James H. Jeffries, IV, Esquire
Moore & Van Allen, PLLC
100 North Tryon Street, Suite 4700
Charlotte, NC 28202

Thomas E. Skains, Chairman, President, and CEO
David Carpenter, Vice President-Planning & Regulatory Affairs
Piedmont Natural Gas Company, Incorporated
P.O. Box 33068
Charlotte, NC 28233



Karen D. Elliott

July 24, 2014
Columbia, South Carolina